SC Risk & Resiliency Maturity Model PRE-READ

Welcome to the new, FREE, online Supply Chain Risk and Resiliency Maturity Model PRE-READ. With the advent of this new assessment tool, we would advocate you read through this document BEFORE you assess your SCR&R maturity.

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SCR&R Model Overview: Definition and Terms

The **Maturity Model** contains five stages, basically formulating a Roadmap for SCRM success. The stages, Foundational, Visibility, Predictability, Resiliency and Sustainability have many elements supporting the journey, including tools, techniques, methodologies, tactics, frameworks and more. With the model as a foundation, the SCRM Consortium provides risk education, solutions and services to identify, assess, mitigate and manage risk within complex supply chains.

Definition of the Stages

Foundational: This stage involves companies with little or no awareness of risk management or formal education relative to the tools, techniques, methodologies, best practices and solutions that are available today. WHY Foundational? You have to start somewhere!

Visibility: Visibility and awareness of risk across the supply chain is an important first step within the risk management journey. This also relates to knowing, preferably in real-time, the location of materials and assets, such as inventory. This is transparency across the supply chain, meaning, upstream to your suppliers and downstream to your customers. The ability to become aware and respond more quickly than competitors to unexpected risk events is a critical success factor defining global excellence. WHY visibility 1st? "What you don't know about your supply chain CAN & WILL hurt you!"

Predictability: As companies progress in their journey, they leverage their visibility capabilities to test their supply chains in terms of "what-if scenario planning." These exercises, utilizing network optimization and probabilistic modelling and mapping tools, provide a view into how supply chains might react to risk events, including demand and supply disruptions. This insight helps companies create risk response plans. For Exemplar SCR&R companies, this has led to the development of supply chain risk war rooms. These rooms, supported by sophisticated tools and techniques, allow a company to be more proactive by identifying risks through alerts, assessing them using digital Twin models of their supply chains, mitigating them through new risk methodologies, managing risks, and even turning risk into an opportunity. WHY Predictability? Exemplar companies want to understand how their supply chains will react to risk stimuli before it occurs!

Resiliency: Here, risk management leaders are embedding new risk tools, techniques, methodologies, and key risk indicators such as Time-to-Recovery, Value-at-Risk, and Resiliency Indexes, into their daily supply chain decision making processes. WHY Resiliency? These frameworks, protocols, metrics, and organizational structures provide a foundation for operational excellence in risk management and a resilient enterprise.

Sustainability: Companies in this stage build upon their organizational infrastructures through corporate frameworks such as Enterprise Risk Management (ERM), Governance, Risk, and Compliance (GRC), and ISO Risk Standards. Companies in this stage are creating a risk-adjusted culture that includes risk considerations during decision making. In this stage, leaders continually assess their risk profile, regularly evaluate their risk appetite, and leverage their risk knowledge database to update their supply chain risk management portfolio. WHY Sustainability? The supply chain risk management journey is one of the small steps. Supply chain leaders operating in this maturity model stage understand that each stage in the journey corresponds to several years and continuous effort.

Definition of the Graph Axes [Figure 1]

- The “Y-Axis”, on the left, represents Supply Chain Risk & Resilience Maturity from Low-to-High.
- The “X-Axis”, at the bottom, represents Competitive Advantage over time, from zero into perpetuity.

At the bottom, we like to superimpose a Heat Map onto the Maturity Model. As you can see, as you move up the maturity curve, your inherent supply chain risks can change from High Risk to Low Risk. With that said, the Tool will position your Company within these 5-Stages.

What is Your Level of SC Risk & Resiliency Maturity?

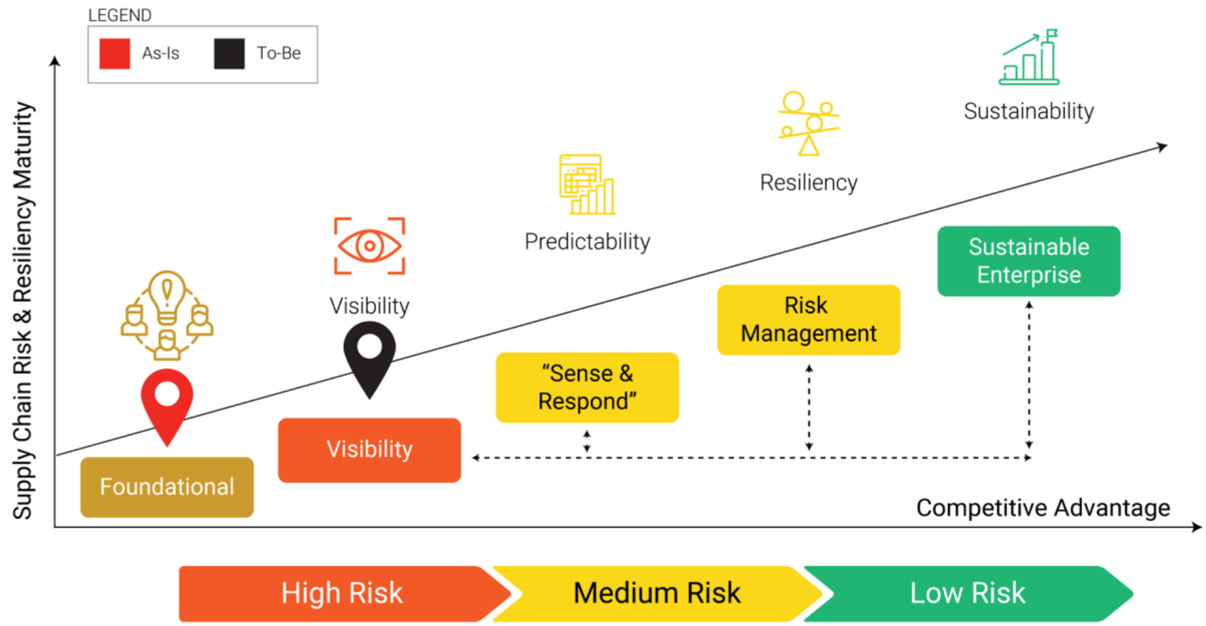

Figure 1: Maturity Model: WHERE ARE YOU TODAY and WHERE DO YOU WANT TO BE

Where are You? (Figure 1)

- For this example, the current state is at the middle of the FOUNDATION Stage and future ("To-Be") is in the middle of VISIBILITY.

QUICK-HIT Video Covering the Entire SCR&R 90-Day Assessment Tool

SCR&R 90-Day Action Plan | SCRMC

Industry Insights.

Variation in risk occurs across companies, industry segments, and regions of the world. A major study of supply chain risk concluded that each industry looks at risk from its own unique prism or lens. While some risks are common to some or even all industries, others may be unique to an industry or even a company. Not only may the magnitude of risk be different industry-to-industry, so too may be the types of risk be different. A company that relies on minerals that originate in conflict regions, for example, is focused on a set of issues that are quite different from a financial services company that does not source raw materials. PwC, [Figure 2], explored industry risk variations from a different perspective. They have extensively studied risk resiliency and risk agility capabilities and found significant variation is present across industries. PwC maintains that to remain competitive; companies must pursue two parallel strategies:

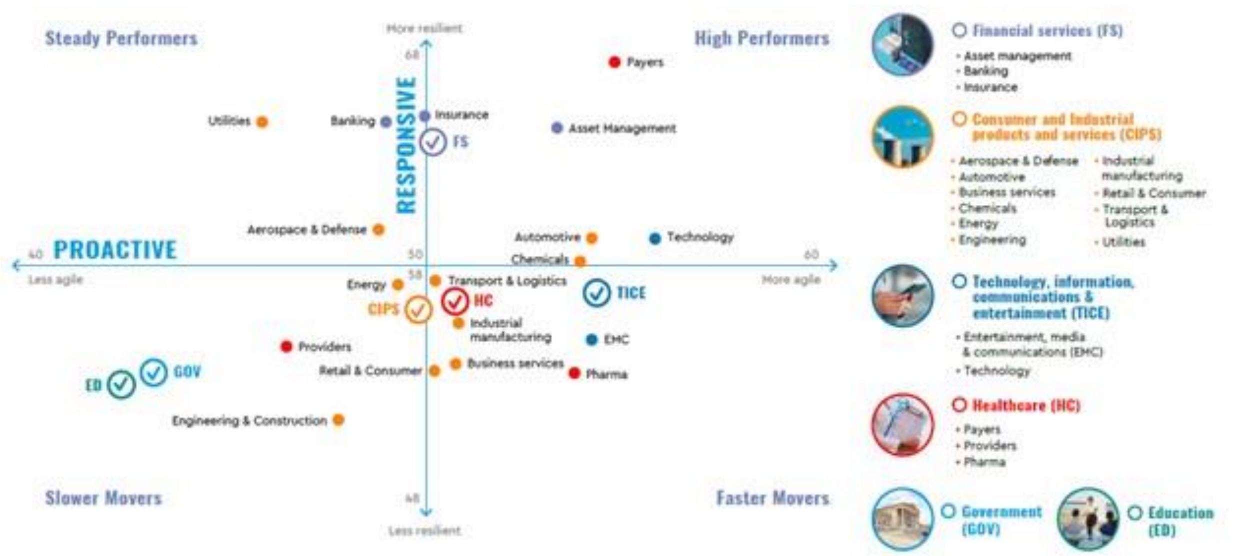

Figure 2: Risk Resilience + Risk Agility per PWC Risk Report

(1) Building agile and flexible risk management frameworks that can anticipate and prepare for the shifts that bring long-term success and
(2) Building the resiliency that will enable those frameworks to mitigate risk events and keep the business moving forward.

Their perspective on SCR&R equates to this formula: Risk Resilience + Risk Agility = Enduring Success. As you can see in Figure 2, we equate their Agility to our Preparedness & their Flexibility to our Responsiveness.

A quick-hit glimpse of PWc's overall findings regarding risk variation by industry follows.

- **Pharma** companies rate themselves highly on their ability to rapidly pursue growth opportunities: 52% say they are good at this vs. 41% of total respondents. However, only 23% use formal risk management techniques, 21% understand the velocity of risk, and less than half say they can deal capably with challenges.

- **Healthcare** payer and provider companies are significantly more likely to say they are good at identifying opportunities ahead of competitors, but, are among the least likely to employ formal risk management tools and techniques, at just 45%.
- **Financial Services** companies score highest in risk resiliency, and significantly outpace others in their use of data analytics. For example, 73% use Key Risk Indicators (KRIs) vs. 53% of all respondents. They are also more likely to have aligned risk management with strategic planning.
- **Industrial Manufacturing** companies are significantly less likely to say they continuously adapt their risk approaches based on emerging risks. Just 35% of firms say they do this, compared with 49% of total respondents.
- **Technology** companies excel at identifying opportunities ahead of the competition: 56% of technology firms say they are good at this, compared with only 45% of total respondents. TICE (technology, information communications and entertainment) companies as a group lead on virtually every measure when it comes to agility, though they fall behind on resiliency metrics. For example, only 23% say their employees understand their Company's business continuity strategies.
- **Retail and Consumer** products companies are significantly more likely to have increased product offerings and are more likely to have expanded into new geographies. Almost half of retailers say they have transformed technology platforms to meet opportunities, compared with only 33% of consumer and industrial products and services respondents.

Country Culture and Risk.

- Companies headquartered in **North America** tend to have the greatest risk agility and risk resiliency. They are more likely to say they have proven records of protecting their core businesses while remaining innovative and agile: 55% compared with 45% of European respondents and 39% of Asian respondents. North American respondents also rate their ability to mobilize internal resources as much higher than the ability of others: 70% say they are good or excellent in this area. Only 16% of North American respondents, however, say they have had or plan to have an independent assessment of their companies' risk agility versus 23% in Middle East/Africa, who say the same. And just 45% of North American respondents say they identify opportunities ahead of their competitors— as against 61% in South America who make that claim.
- Respondents headquartered in **Europe** score near the top when it comes to the use of risk management tools and techniques, with 57% claiming this is characteristic of their organizations— just behind Asia (58%). European respondents also see their brand leadership as a strength, at 71% (behind only North America, at 77%). Overall, they rank third highest for risk resiliency but outpace only the Middle East/Africa on agility.

- Respondents headquartered in **Asia** rank second highest in risk resiliency (though well below their North American counterparts) and third in risk agility. They are least likely to say they can identify opportunities ahead of their competitors or that they understand the velocity of risk. When it comes to being able to immediately launch business continuity plans following a disruption, however, respondents in Asia (57%) outpace their peers in Europe (51%), the Middle East/ Africa (46%), and Latin America (43%). Respondents headquartered in Europe score near the top when it comes to the use of risk management tools and techniques, with 57% claiming this is characteristic of their organizations— just behind Asia (58%). European respondents also see their brand leadership as a strength, at 71% (behind only North America, at 77%). Overall, they rank third highest for risk resiliency but outpace only the Middle East/Africa on agility.
- Respondents headquartered in the **Middle East/Africa** are more likely than respondents headquartered in other regions to have established business models with documented risk management processes (61% vs. just 42% in Latin America and 58% in Europe). These respondents are also most likely to agree or strongly agree that their companies understand the velocity of risk (43% vs. only 29% in Asia). Still, on average, companies in this region score lowest on agility and second lowest on resiliency.
- Risk agility significantly outpaces risk resiliency among respondents headquartered in **Latin America**, with 61% saying they are good or excellent at identifying opportunities before their competitors, compared with only 40% of respondents in Asia and the Middle East/ Africa and 48% in Europe. More than half (52%) of Latin American respondents agree or strongly agree that their companies encourage process flexibility to improve efficiency, versus just 39% in Europe, Asia, and the Middle East/Africa

The SCR&R 90-Day Action Plan Assessment Tool Process [Figure 3]

The SCR&R 90-Day Plan Assessment Tool attempts to depict..........

- Where you Are on our 5-Stage SCRR Maturity Model,
- Who you Are, in terms of your Risk Appetite and how you perceive risk and
- How you Operate, your company culture.

The graphs are computer-generated utilizing AI-ML algorithms and based on WHERE you are, WHO you are and HOW you operate, the algorithms provide 4-8 action items to move your risk maturity forward, representing the highest probability of success.

The Prescriptive 90-Day, SCR&R Action Plan Development Approach

- 90-Day Action Plan via Online Survey
- 7 Hours of Time Investment by each executive over 3 months
- We exercise Virtual Onboarding, Collaboration & Coaching Sessions

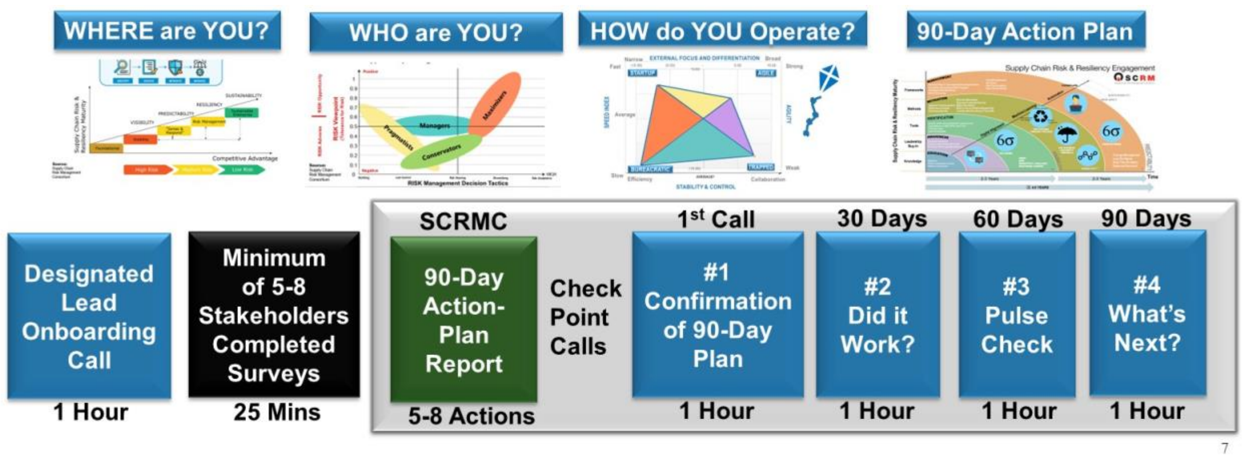

Figure 3: The Supply Chain Risk and Resiliency Assessment Process

Benefits of Indoctrinating an SCR&R Program

These are a few of the benefits we have witnessed, over the last 15 years, with our clients and other exemplar companies who have embarked on the SCRR journey.

1. **Cost Reduction**
   - ✓ Insurance Premiums Reduction by 10%
   - ✓ Year-over-Year 10% through automated workflow (e.g., Operational Excellence, Agentic AI, Hyper automation, Process Automation & Optimization) (Gartner)
2. **Cost Avoidance**
   - ✓ 17% Improvement in Effectiveness in Risk Detection & Assessment Y-o-Y, 7% higher than other competitors
   - ✓ Cost Avoidance 3% of Revenue in Financial Loss over their Competitors – Cost of Mitigating – 10% over the Competitors (Aberdeen)
3. **Working Capital**
   - ✓ 94% Accuracy in terms of Cashflow Forecasting which is 13% greater than their competitors
   - ✓ 10-30% higher in Free Cash (Aberdeen)
4. **Cash Conversion Cycle**
   - ✓ CCC Reduces by 10-20% (Hackett Group)
5. **Altman Z Score**

- ✓ Key Supplier Viability - ↓ $1-3M per Changeout

All the best with the FREE, ONLINE SCR&R Maturity Model Assessment and if you would like to discuss the outcome/or chat about the SCRR journey, give us a call or visit our website.

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